The Water Utility Enterprise
Final - June 1995

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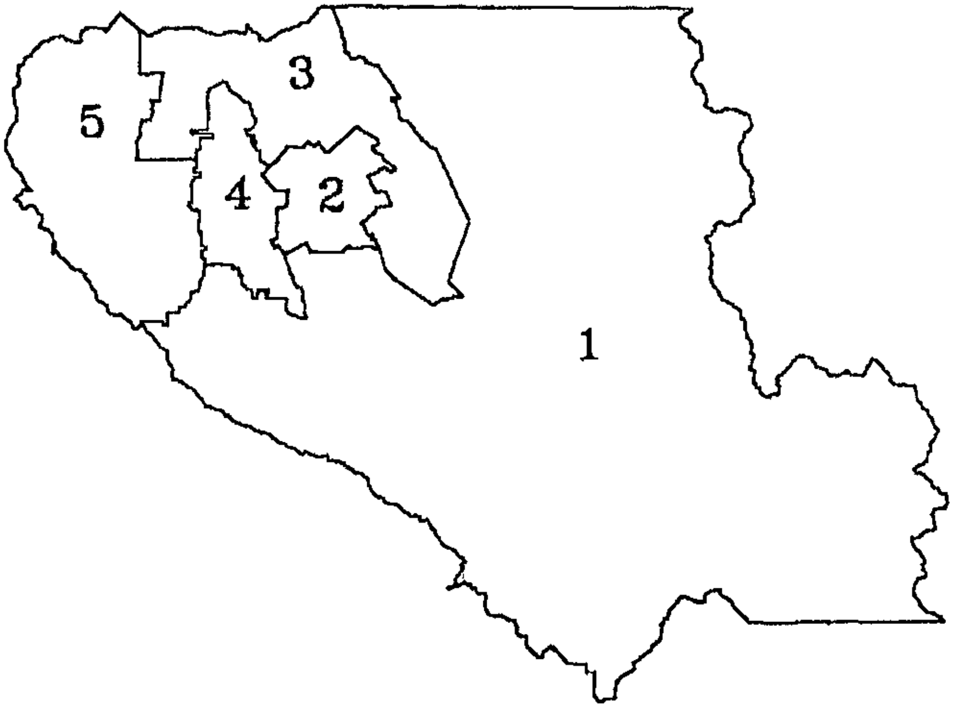
Santa Clara Valley Water District



DIRECTORIAL DISTRICTS

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Cover: Leroy Anderson Dam and Reservoir
Photograph: Scott Ludwig

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Board of Directors:

For the first time since 1986, Santa Clara Valley Water District (District) water supplies exceed projected annual need. For the 1994-95 season, local rainfall exceeded historical seasonal averages by approximately 40 percent throughout Santa Clara County (County), and all surface reservoirs were at capacity. Groundwater levels are also above average. The water available from the State of California (State) and federal water projects equals the District's total entitlement of 252,500 acre-feet. The District plans to effectively manage both the local and imported water for use and to maximize the storage of water within and outside the County.

Because of continuing population growth and economic recovery, County water usage is projected to increase from 342,000 acre-feet in fiscal year 1994-95 to 352,000 acre-feet in fiscal year 1995-96, with anticipated District water sales of 282,000 acre-feet. This water demand corresponds to 302,000 acre-feet of use in North County and 50,000 acre-feet in South County. These demands remain well below the County's predrought usage of 386,000 acre-feet in fiscal year 1987-88.

While near-term supplies are ample, the possibility of future supply shortages remains because of the natural variability of precipitation and the uncertain impacts of State and federal regulation affecting the District's imported water supplies. As Bay/Delta negotiations continue, the District faces additional costs and potential reductions in water supplies.

The District's Budget for 1995-96 anticipates an increase in operating expenditures due primarily to increased imported water deliveries and anticipated Bay/Delta obligations. Although capital expenditures are projected to decrease in the coming fiscal year, the District faces substantial future capital expenditures to modify its water treatment plants to meet future water quality regulations.

Specifically, revenues are budgeted at $90 million in 1995-96, up $0.2 million from the estimated 1994-95 revenues, while operating expenditures are projected to increase by $9.0 million over the 1994-95 budget. The increase in operating expenditures arises primarily from needs in seven areas: imported water, water savings, water reclamation, water education at schools, maintenance on the raw water system, emergency operations, and hydrology.

Total Water Utility reserves are budgeted to decrease by $3.6 million because budgeted revenues are less than needed for operating outlays plus capital appropriations. Uncommitted funds estimated to be available at the end of 1994-95 are designated for increases in individual appropriations such as $9 million added to the Bureau Repayment Appropriation to pay accrued costs of water from the Bureau of Reclamation. Another $1 million is budgeted to fund the Rate Stabilization Reserve Fund which was established in the revenue bond refunding of 1994 to assist the District to meet covenant obligations under the Water Utility Master Resolution (Resolutions 94-58 and 94-59).

Management continues to explore opportunities to further strengthen District and water utility finances through organizational changes, Districtwide financial planning, establishment of the Rate Stabilization Reserve Fund, and by more specifically matching revenue sources with District activities.

With the completion of the revenue bond refinancing in July 1994 and the favorable water use, revenues, and expenditure projections, the financial position of the water utility is expected to remain strong through fiscal year 1995-96. Accordingly, water charges for fiscal year 1995-96 remain unchanged. The basic user charge for municipal and industrial water will remain $240 per acre-foot in Zone W-2 and $108 per acre-foot in Zone W-5. The treated water charge will remain unchanged at $310 per acre-foot. This reflects maintaining the treated water surcharge at $70 per acre-foot. The agricultural charges remain $43.75 and $11.50 in Zones W-2 and W-5, respectively.

Stan Williams
General Manager

June 1995

PREFACE

This is the twenty-fourth annual report on the status of the District's Water Utility Enterprise. In accordance with Section 26.5 of the District's Act, the District annually prepares a written report on the District's activities on the protection and augmentation of the water supplies of the District. As required by the District Act, this report provides information on the present and future water requirements of the County, the water supply available to the District, future capital improvement and maintenance and operating requirements, financing methods, and the water charges by zone for agricultural water and nonagricultural water.

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Executive Summary

Local Supply

Local rainfall in the 1994-1995 season was approximately 140 percent of the historical season average, and in late March all District reservoirs were full. At the end of June, storage in the surface water reservoirs was 89 percent of capacity, and the groundwater basins contained about 290,000 acre-feet of water.

Imported Supply

To effectively use and store both local and imported water supplies, the District is maximizing the use of imported water within the County and actively pursuing banking alternatives for the remaining imported water entitlements in calendar year 1995. The State Water Project (SWP) entitlement of 100,000 acre-feet is available to the District. The Central Valley Project (CVP) has also made the full contract amount of 152,500 acre-feet available. In 1995, the San Francisco Water Department (SFWD) is expected to deliver about 60,000 acre-feet of water to retail water agencies in the northern part of the County. Thus, the total imported water supply available for calendar year 1995 is expected to be 212,000 acre-feet. However, because of the abundance of local water, the District will be unable to import its full entitlements.

Water Supply Programs

In an effort to provide adequate and reliable water supplies while effectively managing water uses, the District continues to evaluate its current and future water supplies.

Existing and proposed environmental regulations in the San Francisco Bay/Delta continue to affect the District's expected imported supplies. The EPA finalized its Delta water quality standards in December 1994, and the State Water Resources Control Board is preparing to implement a Bay/Delta protection plan consistent with the principles agreed to by the State and federal governments in December 1994.

To improve the reliability of its near-term water supplies, the District is pursuing annual water transfers, potential water banking, and water exchange programs with other agencies. To improve the reliability of its long-term water supplies, the District is preparing an integrated water resources plan to meet the County's projected water needs under more stringent federal and State water quality regulations in the Delta.

Within the County, the District continues its conjunctive use program of recharging surface water to augment groundwater supplies. In addition, the District will be providing financial contributions to agencies delivering reclaimed water for nonpotable uses.

Water Demands

The expected water use in the County during the 1995-96 fiscal year is 352,000 acre-feet. This is 3 percent greater than the 1994-95 estimated water use. Of this, the District expects to supply 282,000 acre-feet.

The District, along with numerous other urban water agencies, is participating in the statewide Water Conservation Memorandum of Understanding to implement 16 urban water use Best Management Practices (BMPs). In addition, the District has started urban water use conservation programs beyond the BMPs. The District is also implementing agricultural water conservation required under the CVP Improvement Act. In 1995, the District will update its Urban Water Management Plan for the California Department of Water Resources.

Water Quality

In its ongoing commitment to protect surface water and groundwater quality, the District is facing new and more stringent drinking water regulations that will result in increased expenditures for compliance.

Groundwater quality programs include the continuing administration of the investigation and cleanup of fuel leaks, coordination with the Regional Water Quality Control Board on investigation and cleanup of solvent cases and landfills, the wellhead protection program, nitrate studies, nonpoint source pollution control program, and the development of watershed management programs.

Capital Improvement Program

Construction of Phase II of the Raw Water Control System began in 1994 to continue automating Countywide control of the District's conveyance, treatment, and distribution system. An Engineer's Report for Lexington Dam Freeboard Restoration is in progress. The Engineer's Reports and environmental documents for the Parallel East Pipeline and the San Pedro Recharge Facility in Morgan Hill are completed.

The water utility's principal capital outlay will be for design of modifications to the water treatment plants for the first phase of new federal drinking water regulations which must be met by 1998. In 1995-96, major construction expenditures are planned for additions to the Raw Water Control System (Phase II), Parallel East Pipeline (Stage I), and the San Pedro Recharge Facility.

Financial Overview

As shown in the table below, water utility revenues are projected to change little in fiscal year 1996. Operating expenditures are projected to increase due to increased imported water purchases and potential Bay/Delta obligations. The capital improvement budget for fiscal year 1994-95 was partly funded by drawing down Water Utility reserves. Water utility reserves will decline $3.6 million in fiscal year 1996 to meet capital and operating needs.

The total revenue requirements in the table reflect the water utility as a whole. Because Zone W-2, North County, represents 96 percent of the revenue, the table also represents Zone W-2 distribution of revenue to operations, capital, and reserves. Therefore, no rate change is needed in Zone W-2.

The projected 1995-96 revenues and expenditures in Zone W-5, South County, show only slight changes from past years. With revenues and expenditures in approximate balance for the upcoming year, Zone W-5 water rates remain at 1994-95 levels.

COMPARISON OF ESTIMATED 1994-95 AND 1995-96 BUDGET

	1994-95	1995-96
Revenues	$89.6m	$89.8m
Revenue Requirements		
Operating Expenditures	$68.8m	$81.8m
Capital Appropriations	$22.6m	$11.6m
Change in Reserves	-$1.8m	-$3.6m
Total Requirements	$89.6m	$89.8m

Funding Sources

In fiscal year 1995-96, the District anticipates that property taxes will provide 18 percent of the water utility revenue, revenue from water charges 74 percent, and interest and miscellaneous revenues 8 percent. No revenue bond financing is planned in 1995-96.

Water Charges

Based on the revenues required for water utility programs, the water charges for fiscal year 1995-96 are: $240 per acre-foot groundwater charge and equivalent basic user rate for municipal and industrial water (M&I) in Zone W-2; $108 per acre-foot groundwater charge and equivalent basic user rate for M&I water in Zone W-5; $43.75 for agricultural water in Zone W-2; $11.50 for agricultural water in Zone W-5, and $310 per acre-foot for treated water sold under contract.

Recorded and Projected Water Requirements

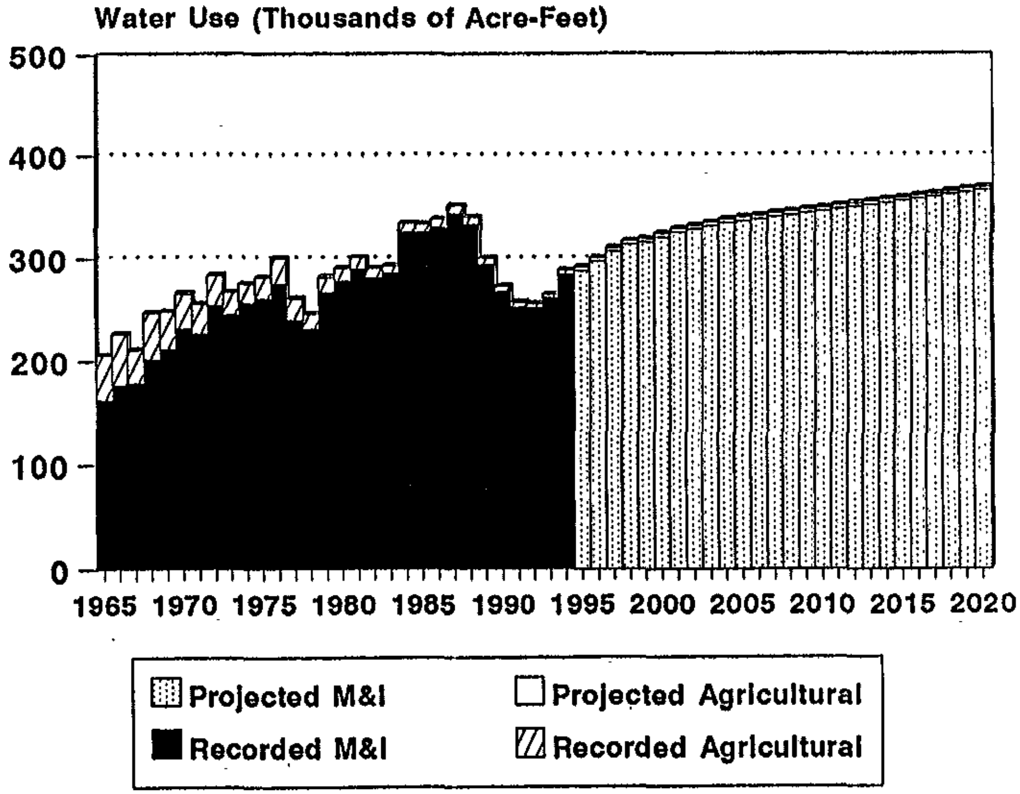
Water use in the County is categorized as either agricultural or M&I. Recorded fiscal year North County water use since 1964-65 and South County water use since 1987-88 (when the District merged with Gavilan Water Conservation District) are shown to the right. Metcalf Road is the dividing line between North County Zone W-2 and South County Zone W-5.

Water use in North County is predominantly M&I. Current projections indicate an increase through 2020 when the total North County annual water use is projected to be 369,000 acre-feet. Agricultural water use is expected to continue to decrease through the year 2020 to 3,000 acre-feet per year.

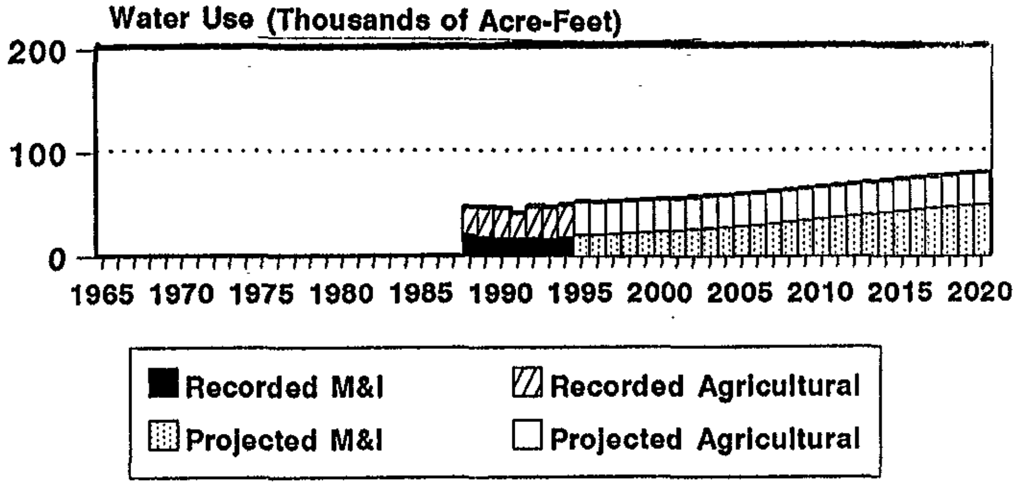
In South County, it is anticipated that M&I water use will continue to increase while agricultural use will decrease. The continued installation of meters in South County is improving the reliability of water use data. The latest projections for South County anticipate total water use of about 79,000 acre-feet per year by the year 2020. M&I and agricultural water uses are projected to be 49,000 acre-feet and 30,000 acre-feet per year, respectively.

The projected water needs discussed above and shown to the right total 448,000 acre-feet in 2020. These projections represent the likely outcome of many factors including population trends, employment growth, water conservation practices, and plumbing code changes. Alternative circumstances could lead to total county water needs ranging from as low as 350,000 acre-feet to as high as 500,000 acre-feet in 2020.

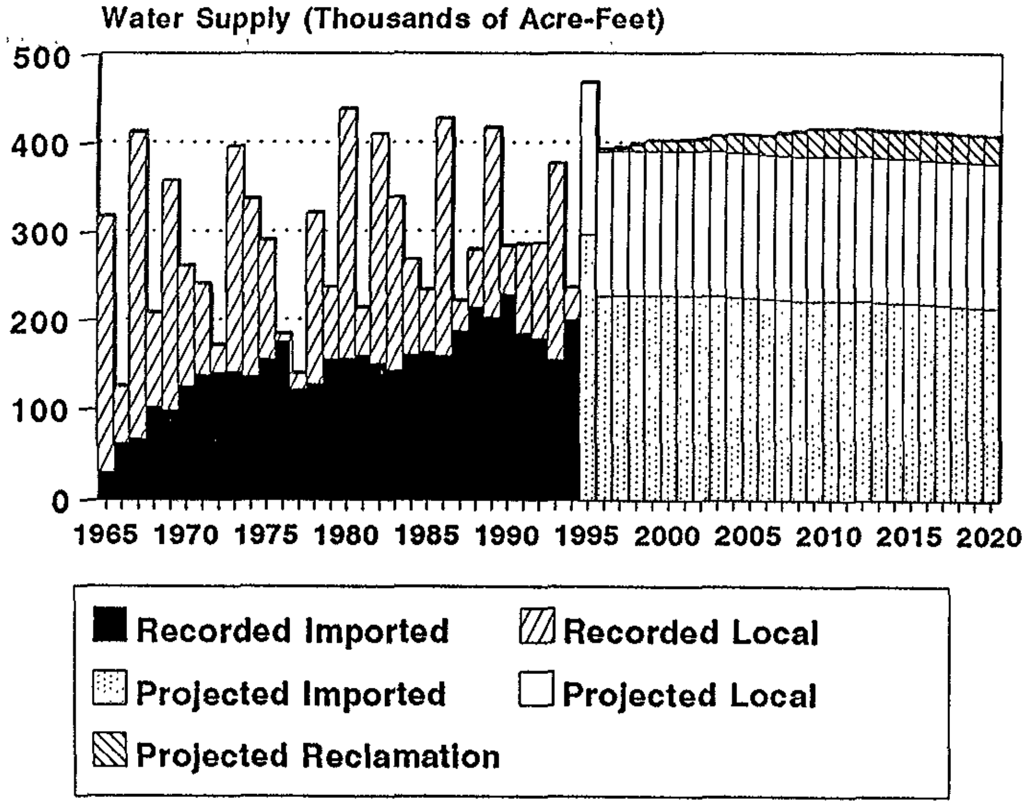
North Santa Clara County, Zone W-2



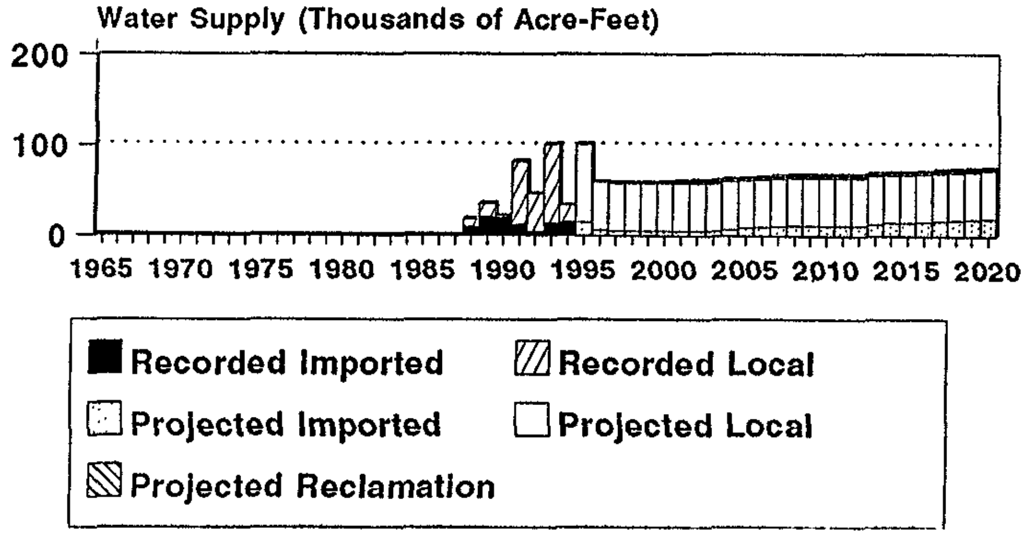
South Santa Clara County, Zone W-5



North Santa Clara County, Zone W-2



South Santa Clara County, Zone W-5



Recorded and Projected Water Supply

The District's water supply includes water imported from the Sacramento-San Joaquin Delta, local water stored in reservoirs and groundwater subbasins, and reclaimed water. The Santa Clara Valley Groundwater Subbasin is in the North County, while both the Coyote and Llagas Groundwater Subbasins are in South County.

Sources of water supply in North County consist of locally developed water and water imported via the SWP's South Bay Aqueduct, the federal CVP's San Felipe Division, and the City and County of San Francisco's Bay Division Pipelines. South County is supplied by locally developed water and water imported via the San Felipe Division. The recorded water supply in North County since 1964-65 and South County since 1987-88 are shown to the left (data are for ``water year'' October 1 through September 30).

For 1994-95, local rainfall was 140 percent of the seasonal average, and supplies available from both the SWP and the CVP equal the combined total entitlement of 252,500 acre-feet.

Future local supplies are projected to be augmented by water from water reclamation facilities in San Jose, Santa Clara, Sunnyvale, and Gilroy/Morgan Hill.

The District is assessing the reliability of its water supply during critical dry years in an integrated water resources plan because both the local and imported water supplies are highly variable.

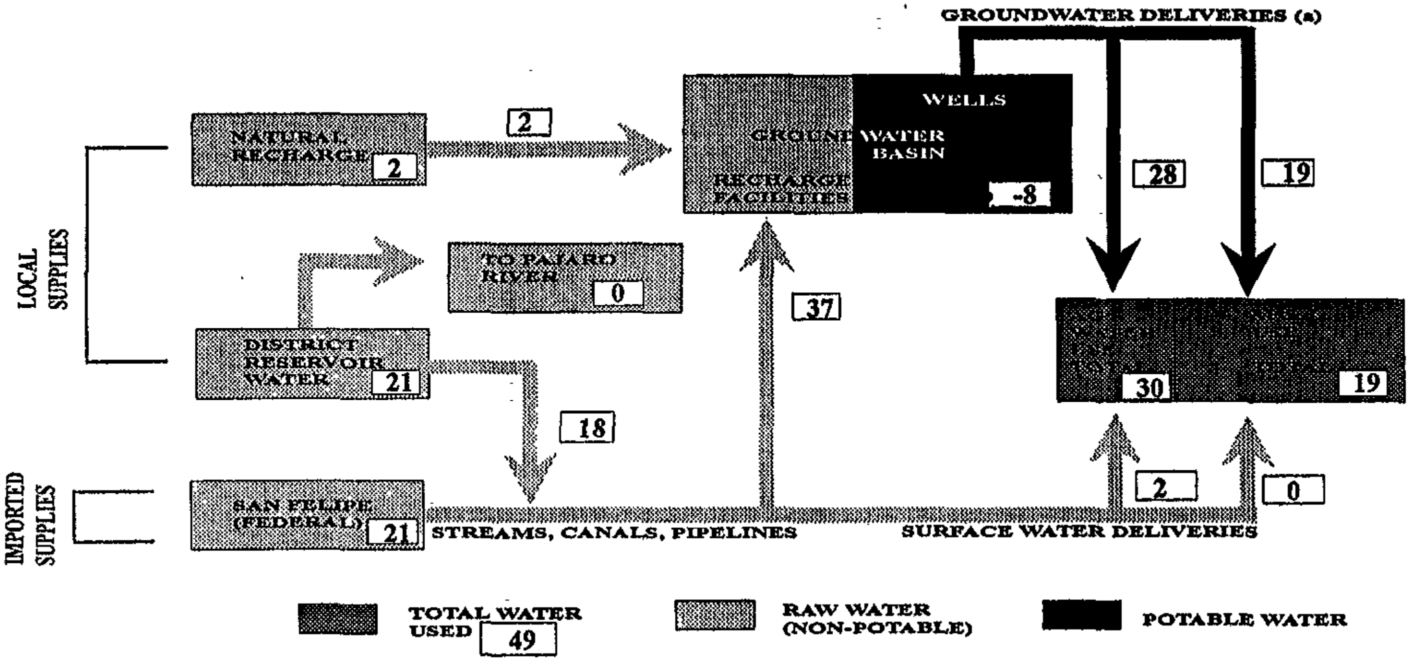
Water Year 1993-94 Recorded Water Supply and Use

The water supply and use charts on pages 6 and 7 reflect the sources and uses of water for both north and South County during the 1993-94 water year (October through September). The storage in both groundwater subbasins decreased slightly during water year 1993-94. The rainfall at San Jose during the rainfall year from July 1993 through June 1994 was 70 percent of average.

Because the imported water contracts are for calendar years, pages 8 and 9 present the recorded water supply and use for calendar year 1994 and the projected water supply and use for calendar year 1995. Water use in calendar year 1994 was 337,000 acre-feet, an increase of 5 percent over 1993.

WATER SUPPLY & USE
SOUTH SANTA CLARA COUNTY (ZONE W-5)

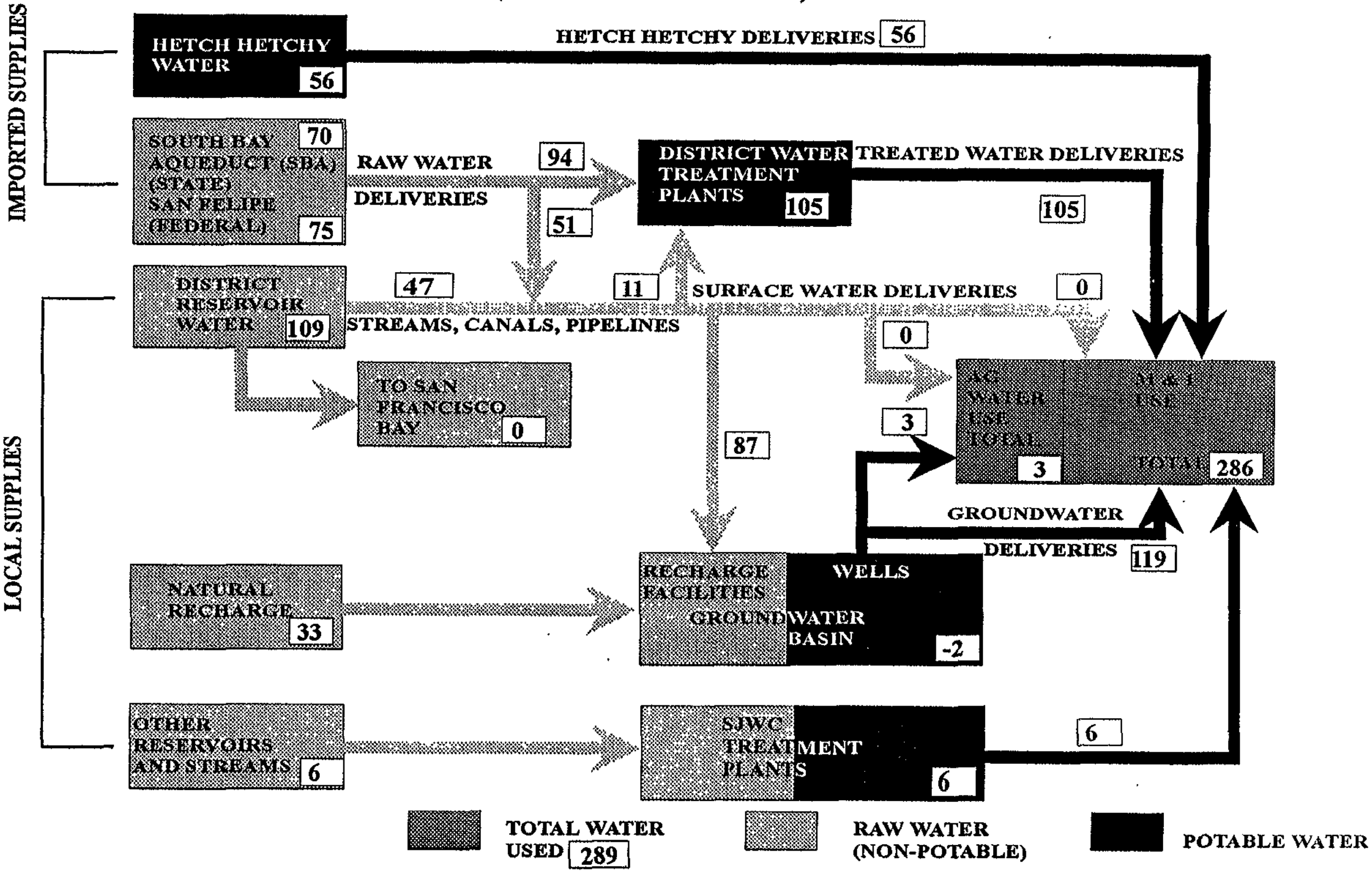
Water year October 1993 through September 1994
(Values in thousand acre-feet)



(a) Groundwater & Surface Water Deliveries Based on Fiscal Year
Preliminary - Subject to Revision

WATER SUPPLY & USE
NORTH SANTA CLARA COUNTY (ZONE W-2)

Water year October 1993 through September 1994
(Values in thousand acre-feet)



Preliminary - Subject to Revision

Calendar Year 1994 Recorded Water Supply and Use (Acre-Feet)

BEGINNING STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	95,000	
Groundwater	176,000	
Subbasin Total		271,000
Coyote and Llagas Subbasins		
Surface Reservoirs	8,000	
Groundwater	90,000	
Subbasin Total		98,000
San Benito County		
San Justo Reservoir*		5,000
Total Beginning Storage		**374,000**

SUPPLY

Imports:	
Hetch Hetchy (74 percent of 76,000 AF)	56,000
State Water Project (65 percent of 100,000 AF)	65,000
San Felipe Division (58 percent of 152,500 AF)	89,000
State—Uninterruptible Entitlement	4,000
Local Supply:	
San Jose Water Company	6,000
Santa Clara Valley Subbasin	29,000
Coyote and Llagas Subbasins	18,000
Total Supply	**267,000**

USE

North County Use	289,000
South County Use	48,000
Total Use	**337,000**

CHANGE IN STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	(44,000)	
Groundwater	(8,000)	
Subbasin Total		(52,000)
Coyote and Llagas Subbasins		
Surface Reservoirs	(7,000)	
Groundwater**	(8,000)	
Subbasin Total		(15,000)
San Benito County		
San Justo Reservoir*		(3,000)
Total Storage Change		**(70,000)**

END OF YEAR STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	51,000	
Groundwater	168,000	
Subbasin Total		219,000
Coyote and Llagas Subbasins		
Surface Reservoirs	1,000	
Groundwater	82,000	
Subbasin Total		83,000
San Benito County		
San Justo Reservoir*		2,000
Total End of Year Storage		**304,000**

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*Water from San Felipe allocation banked in San Benito County.
**Water Year Change in Storage Estimate

Calendar Year 1995 Projected Water Supply and Use (Acre-Feet)*

BEGINNING STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	51,000	
Groundwater	168,000	
Subbasin Total		219,000
Coyote and Llagas Subbasins		
Surface Reservoirs	1,000	
Groundwater	82,000	
Subbasin Total		83,000
San Benito County		
San Justo Reservoir		2,000
Total End of Year Storage		**304,000**

SUPPLY

Imports:	
Hetch Hetchy (79 percent 76,000 AF)	60,000
State Water Project (25 percent of 100,000 AF)	25,000
San Felipe Division (67 percent of 152,500 AF)	101,500
Local Supply:	
San Jose Water Company	13,500
Santa Clara Valley Subbasin	187,000
Coyote and Llagas Subbasins	73,000
Total Supply	**460,000**

USE

North County Use	301,000
South County Use	49,000
Total Use	**350,000**

CHANGE IN STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	45,000	
Groundwater	43,000	
Subbasin Total		88,000
Coyote and Llagas Subbasins		
Surface Reservoirs	9,000	
Groundwater	15,000	
Subbasin Total		24,000
San Benito County		
San Justo Reservoir		(2,000)
Total Storage Change		**110,000**

END OF YEAR STORAGE

Santa Clara Valley Subbasin		
Surface Reservoirs	96,000	
Groundwater	211,000	
Subbasin Total		307,000
Coyote and Llagas Subbasins		
Surface Reservoirs	10,000	
Groundwater	97,000	
Subbasin Total		107,000
San Benito County		
San Justo Reservoir		0
Total End of Year Storage		**414,000**

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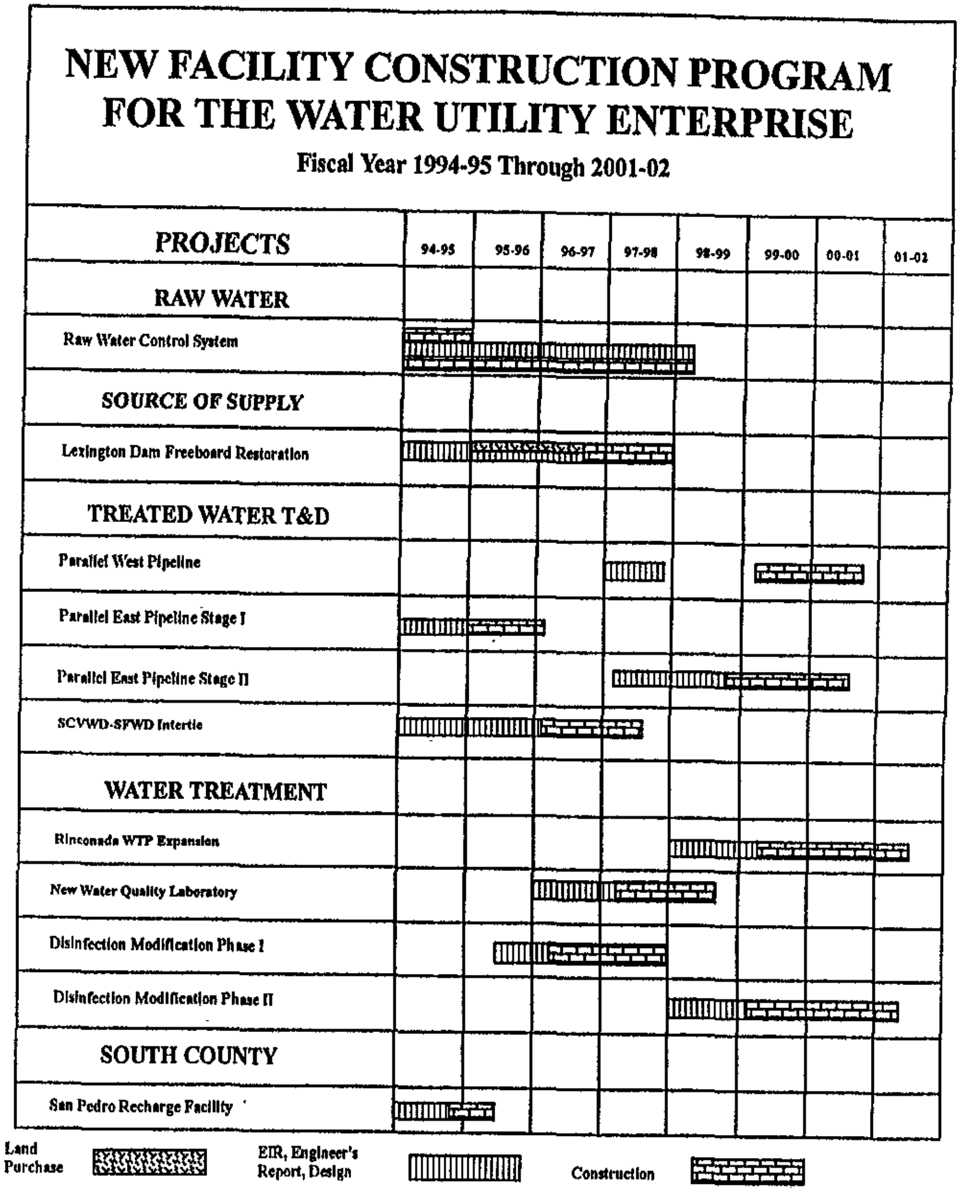
* Projected using data available from the 1995 Operations Report—subject to change.

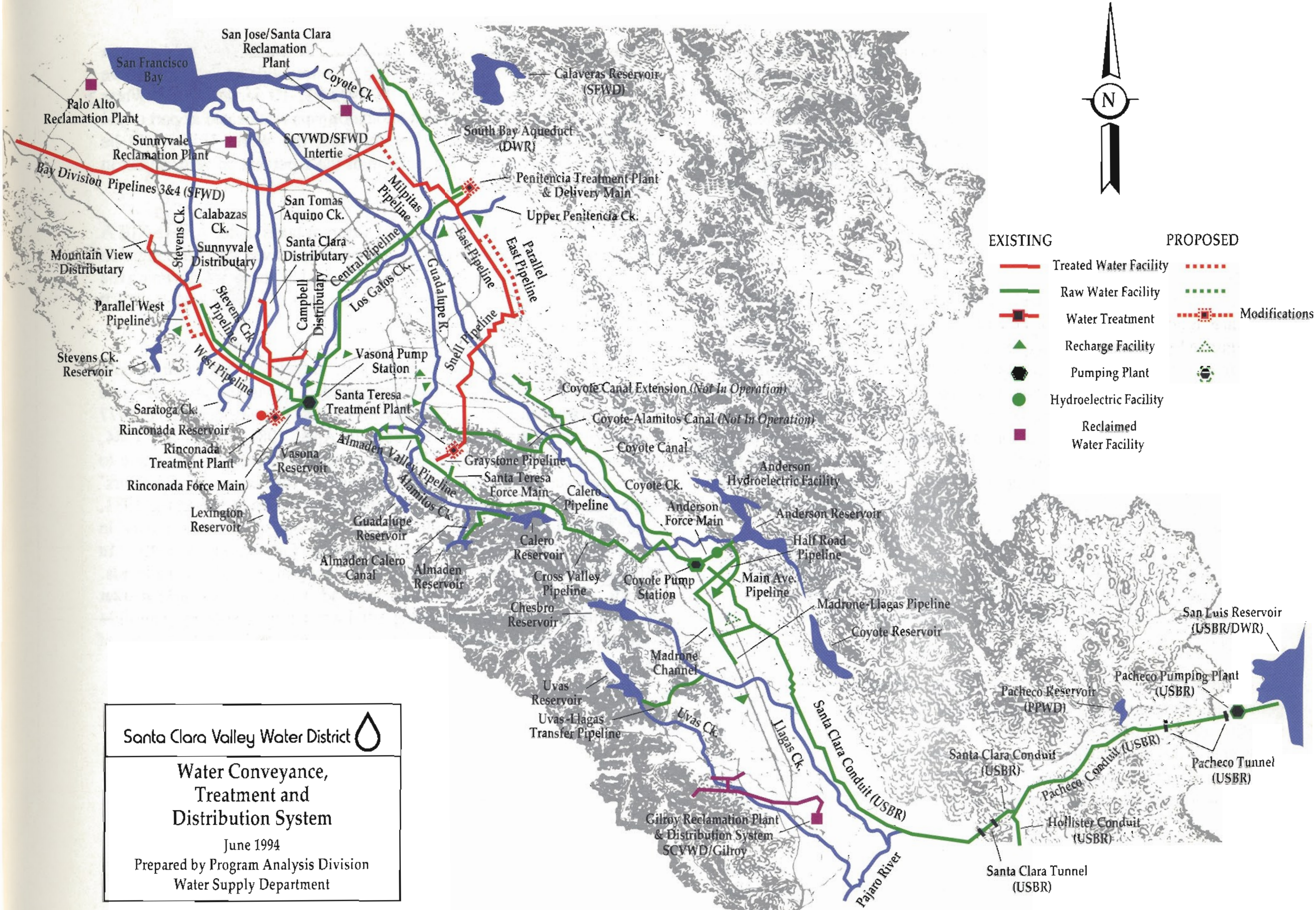
Future Capital Improvements

Future capital improvements influence the long-term financial plan; however, each project requires the approval of the District's Board of Directors before construction.

The chart on this page shows schedules of major projects planned by the Water Utility. Future projects include improvements to Lexington Dam, additions to the Raw Water Control System, design and construction of Parallel East Pipeline, Parallel West Pipeline, SCVWD—SFWD Intertie, disinfection modifications at all three water treatment plants, Rinconada expansion, new water quality laboratory, and San Pedro Recharge Facility.

The map on the following page shows the location of the District's major existing and proposed facilities.





Santa Clara Valley Water District

Water Conveyance, Treatment and Distribution System

June 1994

Prepared by Program Analysis Division
Water Supply Department

Sources of Revenue

The District's Board of Directors, upon recommendation of the Santa Clara Valley Water Commission, adopted the current water pricing policy in 1971. This pricing policy incorporates two important concepts: (1) a water pooling concept in which water for a given zone of benefit is considered a single commodity with a uniform value regardless of source or cost, and (2) a water management concept in which the user pays for benefits received. This pricing policy was affirmed in a Board work/study session on March 14, 1995.

The District's major water charges are:

- A **groundwater charge** and equivalent **basic user charge** which are associated with the benefit of water consumption. The groundwater charge is an excise tax applied to water extracted from the groundwater basin in Zones W-2 and W-5 shown on the map to the right. The basic user charge is applied to other types of water delivered by the District. There are two rates, one for agricultural water and one for M&I water. Revenue from these charges pays for the general costs of providing water and for the capital costs of constructing in-county facilities, either through "pay as you go" financing or through debt repayment of bonds and loans.

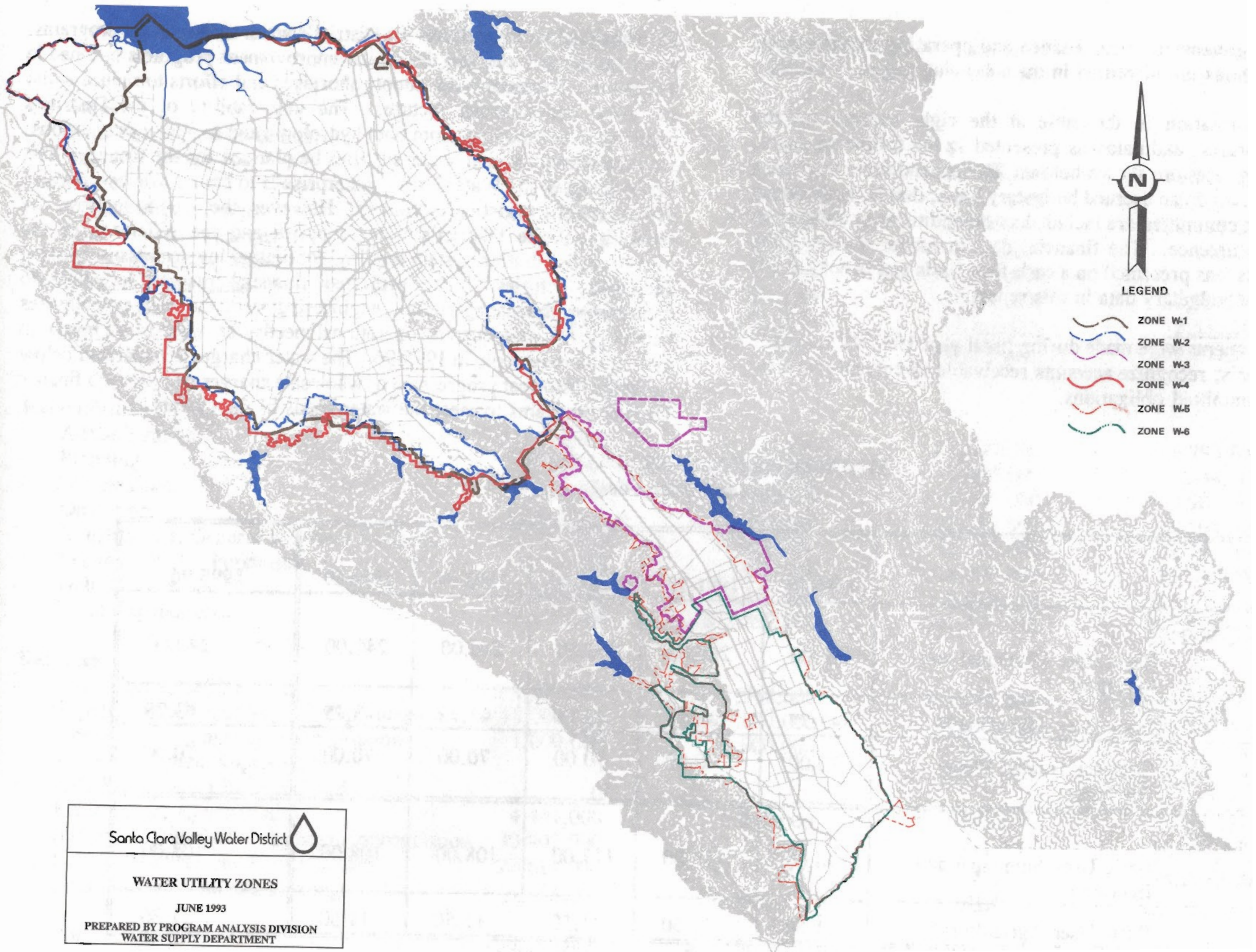
- A **treated water surcharge** which is associated with the benefit of receiving treated water. It is levied in addition to the basic user charge on water delivered from the District's water treatment plants.

Ad valorem taxes provide revenue to support several benefits which are general in nature serving all or large areas of the County. Some of these benefits are the availability of imported water to the County, recreation associated with the District's reservoirs, and the replenishment of the County's groundwater subbasins. The District is currently reviewing the District activities which are Countywide and should be supported from property taxes.

The District receives a portion of the 1 percent Countywide tax revenues as allocated by the County Assessor. Prior to 1992-93, this was based on pre-1978 District tax levies. Tax Zones W-3 and W-4, as shown on the map on the facing page, as well as a Countywide ad valorem tax are part of the 1 percent allocation. In 1992-93, 10 percent of the Water Utility's portion of the 1 percent allocation was reallocated as part of the 1992-93 State budget. It is possible that the Water Utility will be impacted by further State reallocation of the 1 percent ad valorem tax in the future.

The District also levies additional ad valorem taxes under Article XIII A of the State Constitution to meet: (a) prior approved general obligation bond debt service in Zones W-1 and W-6, which zones are shown on the map to the right, and (b) part of the contractual obligations for SWP water with a Countywide tax.

To fund the construction of new facilities, the District has relied on both pay-as-you-go financing and long-term debt financing from revenue bonds as authorized by the voters in 1977. The last remaining 1977 authorized revenue bonds were sold in April 1984. In January 1984, State legislation allowed the District to seek electorate authorization to issue revenue bonds as needed following the Board of Directors' approval. County voters approved this authorization in November 1984. The District sold an additional $30 million of revenue bonds in November 1985 to provide needed funding for ongoing projects. In August 1986, the District refunded all outstanding water revenue bonds. Again, in June 1994, the District took advantage of favorable market conditions to refund the remaining 1986 water revenue bonds. The 1994 refunding totaled $65.9 million at an effective interest rate of 5.2 percent.



Santa Clara Valley Water District

WATER UTILITY ZONES

JUNE 1993

PREPARED BY PROGRAM ANALYSIS DIVISION
WATER SUPPLY DEPARTMENT

Summary of

Future capital improvements, maintenance and operating requirements, and financing methods are identified in the following pages.

The financial information in the table at the right summarizes the revenues, expenditures, and balances presented in the following pages. The corresponding rates are shown below. The expenditures beginning in 1993-94 are shown on an accrued budgetary basis; that is, both money paid out and funds committed are included as expenditures or obligations in the year of occurrence. The financial data in earlier Water Utility Enterprise Reports was presented on a cash-flow basis and is not directly comparable to the budgetary data in this report.

Accounting adjustments were made during fiscal year 1993-94 to convert to a budgetary basis, recognize accounts receivable as current revenues, and adjust the committed obligations.

This financial picture reflects the District's water management programs, water supply and use, and the capital improvement programs outlined in this report. Potential water supply shortages and efforts to reduce water use affect the financial picture. The vulnerability of the District's imported water sources, from both hydrologic and regulatory conditions, requires that additional water supplies be planned for the County. The first priority of the Water Utility Enterprise is to have sufficient funds to deliver water to existing customers. However, the need to improve the reliability of the District's water supplies and the efficiency of the in-county distribution system requires continuing investments in existing and new facilities. The projected financial picture for 1995-96 incorporates the managerial and engineering assessments of expenditures necessary to meet current operational needs, as well as to invest in system improvements in 1995-96. The water charges summarized below show the historical progression of wholesale charges necessary to finance District programs to meet the water needs of the County.

SUMMARY OF WATER CHARGES
(Dollars per Acre-Foot)

		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Zone W-2	Basic User Municipal and Industrial	175.00	262.00	262.00	240.00	240.00	240.00
	Basic User Agricultural	43.75	43.75	43.75	43.75	43.75	43.75
	Contract Treated Water Surcharge	70.00	70.00	70.00	70.00	70.00	70.00
Zone W-5	Basic User Municipal and Industrial	46.00	117.00	117.00	108.00	108.00	108.00
	Basic User Agricultural	11.50	11.50	11.50	11.50	11.50	11.50

The Financial Picture

	Actual 1992-93	Actual 1993-94	Estimated 1994-95	Projected 1995-96
Revenues				
Bond Sales, Loans, Grants	$ 0	$ 0	$ 0	$ 0
Property Taxes	18,723,000	19,728,000	18,681,000	16,500,000
Interest	3,800,000	4,177,000	5,632,000	5,872,000
Groundwater Charges	27,501,000	30,207,000	29,729,000	32,198,000
Surface Water Charges	294,000	237,000	152,000	148,000
Reclaimed Water Sales	1,000	1,000	1,000	0
Treated Water Sales	32,730,000	31,931,000	32,550,000	32,550,000
Miscellaneous	2,944,000	3,760,000	2,816,000	2,538,000
Total Revenues	$85,993,000	$90,041,000	$89,561,000	$89,806,000
Expenditures				
Administration	$ 3,099,000	$ 2,751,000	$ 4,649,000	$ 6,293,000
Planning	5,925,000	5,157,000	9,006,000	9,644,000
Maintenance	7,065,000	8,306,000	8,668,000	9,963,000
Operations	13,565,000	17,198,000	23,282,000	25,104,000
Construction, General and New Facilities	14,186,000	12,658,000	18,547,000	8,799,000
Imported Water Purchases	13,139,000	15,675,000	18,200,000	22,711,000
Debt Service	11,091,000	11,152,000	9,019,000	10,951,000
Total Expenditures	$68,070,000	$72,897,000	$91,371,000	$93,465,000
Balances				
San Felipe O&M Reserve	$ 1,329,000	$ 1,508,000	$ 1,629,000	$ 1,779,000
Supplemental Water Supply Appropriation	18,000,000	20,800,000	20,000,000	20,000,000
Operating Contingency Appropriation	1,000,000	1,000,000	403,000	1,000,000
Working Capital Appropriation	0	0	6,271,000	6,819,000
Rate Stabilization Reserve Fund	0	0	0	1,000,000
Replacement Appropriation	4,491,000	5,000,000	5,150,000	5,356,000
In-County Distribution System Appropriation	30,902,000	13,382,000	7,341,000	10,582,000
Bureau Replacement Appropriation	28,611,000	37,178,000	49,277,000	58,277,000
Uncommitted Retained Earnings	4,113,000	26,099,000	18,401,000	0
Total Balances	$88,446,000	$104,967,000	$108,472,000	$104,813,000

Revenues and Expenditures

The financial picture of the Water Utility Enterprise has been separated into three parts; revenues, expenditures, and year-end fund balances.

The major sources of revenue are treated water charges, groundwater charges, taxes, and interest. The various components of the total revenue received by the District in fiscal year 1993-94 (July 1 through June 30) are shown to the right.

Total annual expenditures are operating and nonoperating costs. Operating costs include labor and contract service for District programs. Nonoperating costs are construction projects and general obligation bond repayment. Purchased water is the amount paid to the state and federal agencies for imported water. Also included is debt service which is the repayment of bonds sold to finance new facility construction. The actual expenditures for fiscal year 1993-94 are shown to the right.

The year-end fund balances, the third element of the financial picture, have been appropriated for specific purposes. The various year-end fund balances include:

1. The **In-County Distribution System Appropriation** which will finance construction of necessary facilities of the In-County Distribution System. This balance may include monies received from bond sales, taxes, water charges and other revenues.

2. The **Contingency Appropriation** which is an amount set aside to meet unforeseen expenditure needs that may arise.

3. The **Replacement Appropriation** which sets aside funds to replace major equipment items at the end of their useful lives.

4. **Working Capital Appropriation**—This reserve is required to be at least 1/12th of the utility's operating costs, according to the bond master resolution.

5. The **San Felipe O&M Appropriation** which sets aside funds for unanticipated operations or maintenance costs on the San Felipe Division.

6. The **Bureau Replacement Appropriation** which sets aside funds for repayment of the District's long-term obligation to the Bureau of Reclamation (Bureau) above current year water service contract obligations.

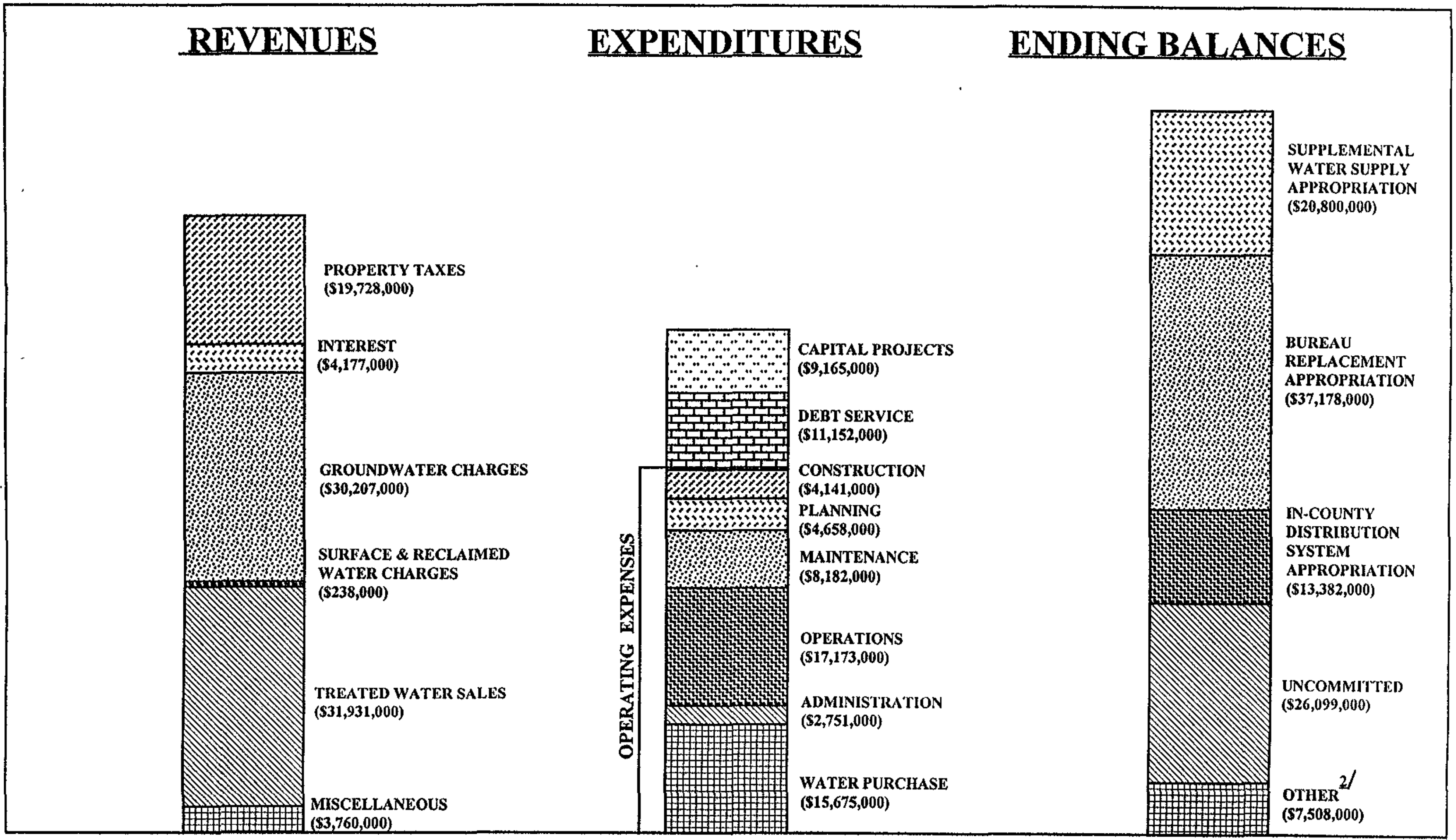
7. The **Supplemental Water Supply Appropriation** which sets aside funds to purchase additional water when needed, and to help finance reclamation and water storage projects.

8. The **Rate Stabilization Reserve Fund** which was established in the master resolution of the 1994 bond refunding. Transfers from this fund can be used as operating revenue to maintain revenue bond coverage during years of decreased water sales.

In addition to the foregoing balances held by the District, a debt service reserve fund is held by the District's fiscal agent to meet any deficiencies that may occur in meeting the revenue bond debt service. The amount on deposit is equal to 10 percent of the proceeds from the 1994 refunding or $6,591,500.

The available fund balances at the beginning of 1993-94 totaled $87,823,000. The 1993-94 ending balances for District appropriations are shown to the right.

1993-94 FINANCIAL PICTURE[1]



TOTAL = $90,041,000 **TOTAL =$72,897,000** **TOTAL=$104,967,000**

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[1] DATA ARE PRESENTED ON A BUDGETARY BASIS AND NOT DIRECTLY COMPARABLE TO DATA FOR EARLIER YEARS WHICH ARE ON A CASH FLOW BASIS

[2] INCLUDES SAN FELIPE O&M APPROPRIATION, CONTINGENCY APPROPRIATION, AND REPLACEMENT APPROPRIATION

Financial Estimates

Preliminary estimates of revenues, expenditures, and year-end balances for the 1994-95 fiscal (July 1 through June 30) year are shown in the chart on the opposite page.

The groundwater sales revenue for 1994-95 is based on the basic user rate. In Zone W-2, the M&I rate is $240.00 and the agricultural rate is $43.75 per acre-foot. In Zone W-5, the M&I rate is $108 and the agricultural rate is $11.50 per acre-foot.

The contract treated water sales revenue for 1994-95 is based on the basic user rate of $240.00 and the treated water surcharge rate of $70.00 for a combined rate of $310.00 per acre-foot.

Estimated revenue from property taxes include income from the 1 percent allocation ($7,524,000), from debt services taxes ($2,172,000), and from the SWP Tax ($9,024,000).

The estimated 1994-95 construction expenditures shown represent the amount budgeted for projects this year.

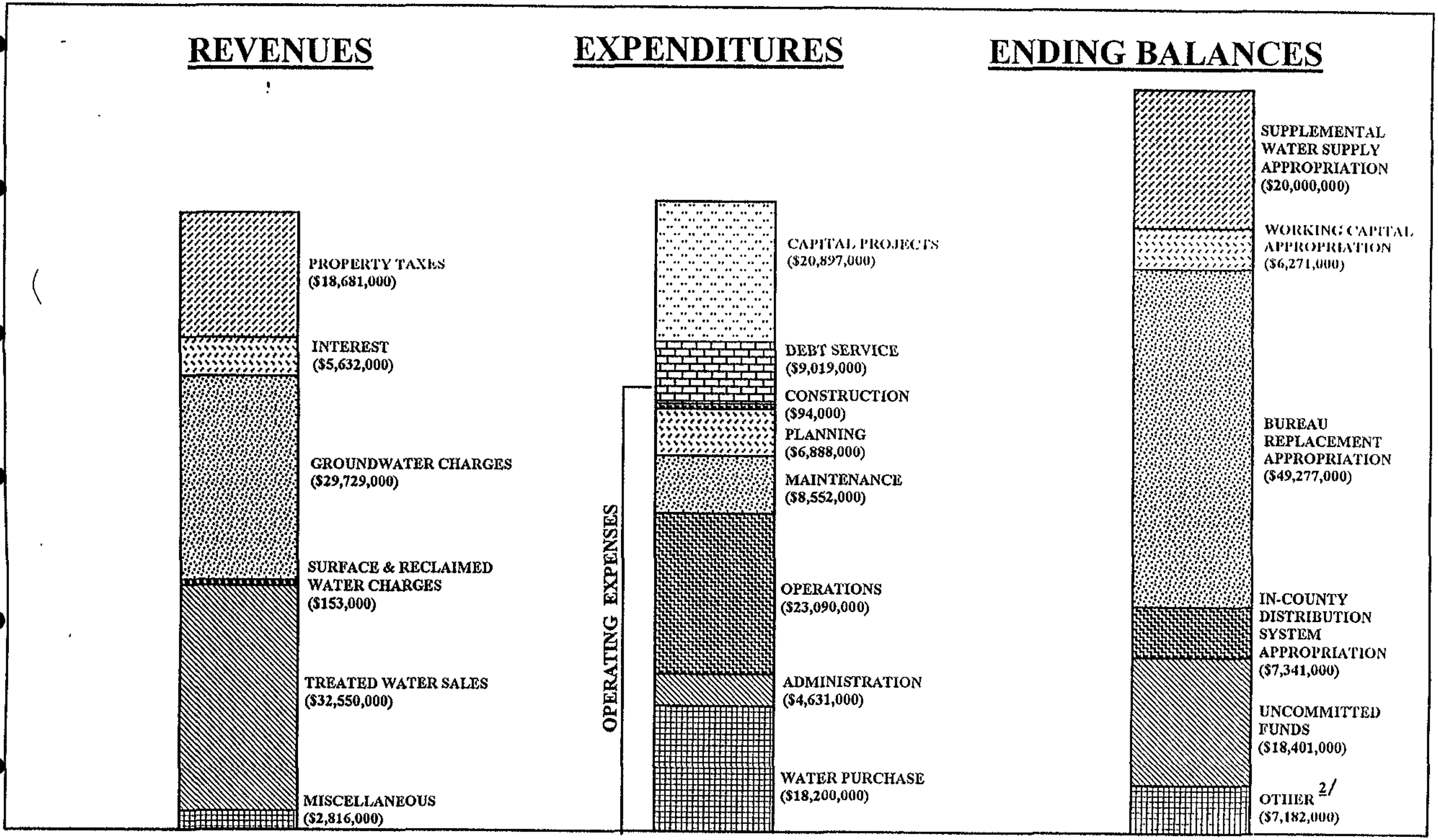
In accordance with District's imported water contracts, the costs of imported water are estimated to be $10,700,000 for water from the South Bay Aqueduct of the SWP and $7,500,000 for water from the San Felipe Division of the federal CVP. In addition, the District has set aside, but did not pay, $12,099,000 to cover the Bureau's estimates of allocated costs and interest charges.

MAJOR CAPITAL IMPROVEMENTS
CURRENT YEAR BUDGET

Project	Fiscal Year 1994-95
Raw Water Control System (Phase II)	$ 407,000
Parallel East Pipeline (Stage I)	7,632,000
San Pedro Recharge Facility	2,548,000
Lexington Dam Freeboard Restoration	525,000
Uvas Dam and Reservoir	1,007,000
Stevens Creek Pipeline Replacement	1,421,000
TOTAL	$13,540,000

For the Current Year
(1994-95)

1994-95 FINANCIAL PICTURE[1]



TOTAL = $89,561,000 **TOTAL =$91,371,000** **TOTAL =$108,472,000**

1/ ESTIMATED IN JUNE 1995

2/ INCLUDES SAN FELIPE O&M APPROPRIATION, CONTINGENCY APPROPRIATION, AND REPLACEMENT APPROPRIATION

Financial Projections

Projected revenues for fiscal year 1995-96 are approximately equal to 1994-95 revenues. In Zone W-2, the groundwater rates are $240 per acre-foot for M&I water and $43.75 per acre-foot for agricultural water for 1994-95. The treated water surcharge rate for 1995-96 is $70 per acre-foot for a total treated water charge of $310 per acre-foot. In Zone W-5, the rates for groundwater extraction and raw surface water for 1995-96 are $108 per acre-foot for M&I water and $11.50 per acre-foot for agricultural water. In 1995-96, total County water usage is projected to be 352,000 acre-feet, a 3 percent increase over 1994-95. The revenue from the District's share of the 1 percent property tax allocation is assumed to continue, although these revenues may be reduced or eliminated by the State legislature.

Operating expenditures are projected to increase due to increased imported water costs. Within the projected Administration expenditures is a $1.5 million increase for potential Bay/Delta obligations. Projected imported water purchases increase almost $3 million. The projected capital expenditures shown on the opposite page and in the table on this page are anticipated amounts for capital project budgets in 1995-96.

The cost of the imported water from the SWP is estimated at $9,354,000 in 1995-96. Funding for imported water from the federal CVP in 1995-96 is projected at $20,689,000 to cover the contract obligation and environmental fees of $11,689,000 and the addition of $9,000,000 to the Bureau Replacement Appropriation. The projected reserves include $1,000,000 designated for a new Rate Stabilization Reserve Fund.

MAJOR CAPITAL IMPROVEMENTS PROJECTED BUDGET AMOUNTS

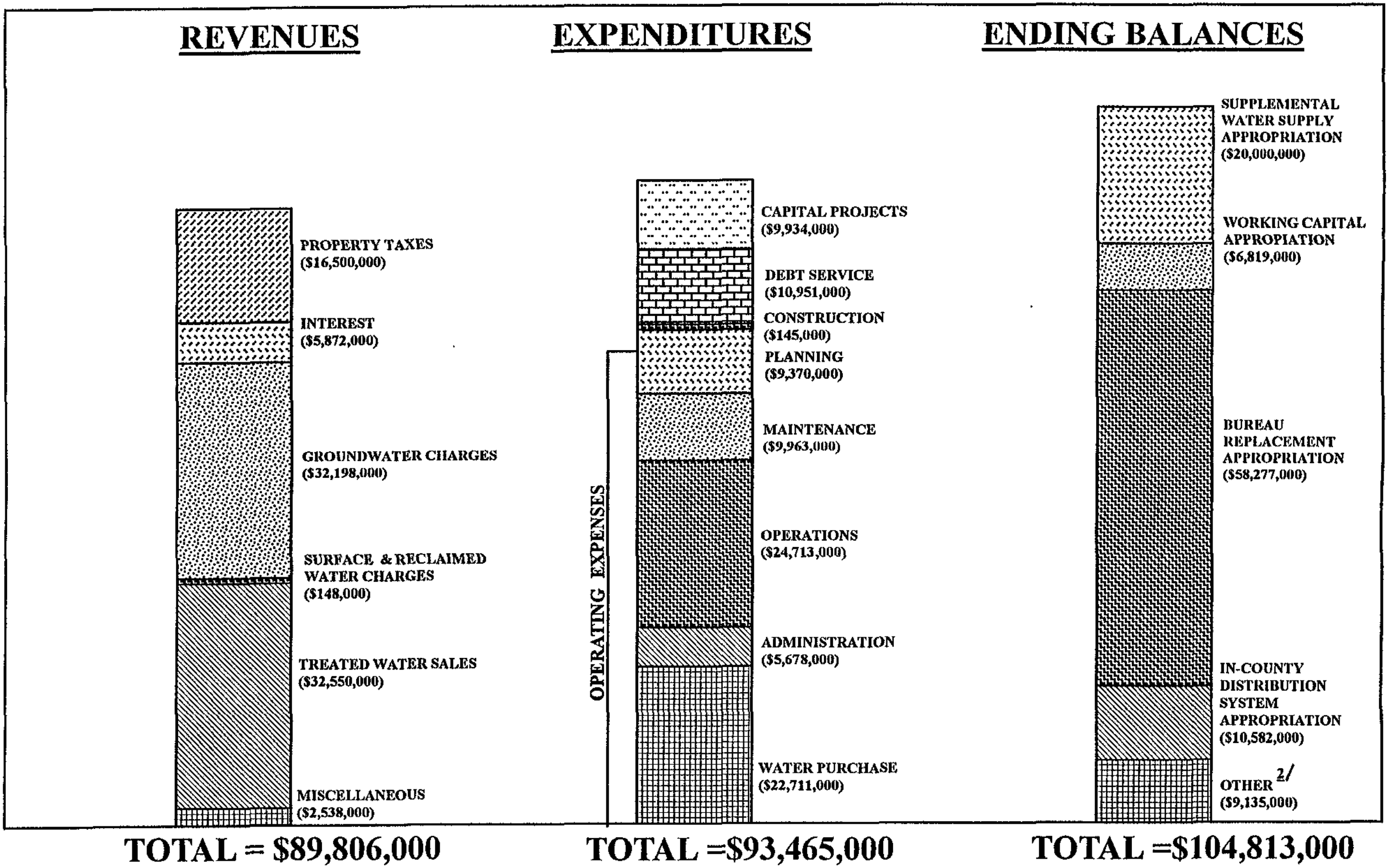
Project	**Fiscal Year 1995-96**
Raw Water Control System (Phase II)	$ 300,000
Parallel East Pipeline (Stage I)	1,576,000
Lexington Dam Freeboard Restoration	752,000
Water Treatment Modification (Phase I)	1,198,000
TOTAL	$3,826,000

PROJECTED TAX REVENUES

Tax	**Fiscal Year 1995-96**
State Water Project Tax	$ 7,352,000
Debt Service Taxes	2,148,000
County Allocation of Taxes	7,000,000
TOTAL TAX REVENUE	$16,500,000

For the Next Fiscal Year (1995-96)

PROJECTED 1995-96 FINANCIAL PICTURE 1/



1/ ESTIMATED IN JUNE 1995

2/ INCLUDES SAN FELIPE O&M APPROPRIATION, CONTINGENCY APPROPRIATION, REPLACEMENT APPROPRIATION, AND RATE STABILIZATION RESERVE FUND

Water Charges

In accordance with Section 26.5 of the District Act, the following pages report the water charges for 1995-96 by zone for agricultural and nonagricultural water.

Groundwater charges and equivalent basic user rates which are to be levied in 1995-96 in Zone W-2 and Zone W-5 are summarized in Table I and Table II, respectively.

TABLE I
FOR FISCAL YEAR 1995-96

Groundwater Charges and Basic User Rates in Zone W-2

Agricultural Water (Ag)	$43.75/Acre-Foot
Nonagricultural Water (M&I)	$240.00/Acre-Foot

TABLE II
FOR FISCAL YEAR 1995-96

Groundwater Charges and Basic User Rates in Zone W-5

Agricultural Water (Ag)	$11.50/Acre-Foot
Nonagricultural Water (M&I)	$108.00/Acre-Foot

for 1995-1996

WATER COMPONENTS AND WATER CHARGES
For Fiscal Year 1995-96

Components		Charges		
Component	**Rate (AF)**	**Type of Charge**	**AG Water (AF)**	**M&I Water (AF)**
Basic User, Zone W-2		**Groundwater**		
Agricultural	$ 43.75	Zone W-2	$ 43.75	$ 240.00
Municipal and Industrial	240.00	Zone W-5	11.50	108.00
Basic User, Zone W-5		**Surface Water**[1]		
Agricultural	11.50	Evergreen Deliveries[2]	228.00	N/A
Municipal and Industrial	108.00	Half Road Deliveries[3]	26.00	122.50
		Other Zone W-5 Deliveries[4]	23.25	119.75
Treated Water Surcharge		Other Zone W-2 Deliveries[5]	55.50	251.75
Contract	70.00	Minimum Charge - Zone W-5[6]	81.00	81.00
Noncontract	50.00	Minimum Charge - Zone W-2[7]	180.00	180.00
Water Master	11.75	**Stored Water**		
		Zone W-2	43.75	240.00
Capital Cost		Zone W-5	11.50	108.00
Half Road Lateral System	2.75			
		Treated Water[8]		
		Contract	N/A	310.00
		Noncontract	N/A	290.00
		Reclaimed Water		
		Gilroy	20.00	80.00

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[1] Surface water charge is the sum of the basic user charge plus the water master. It also includes the capital cost and power wherever applicable.

[2] Evergreen agricultural delivery charges for 1992 through 1995 equal the 1988-89 rate ($72.00/AF) plus 50 percent of the City of San Jose's wheeling charge. The District no longer delivers M&I water to the Evergreen Area.

[3] Half Road = Basic User (AG or M&I @ $11.50 or $108.00) + Water Master ($11.75) + Capital ($2.75).

[4] Other Zone W-5 Deliveries = Basic User (AG or M&I @ $11.50 or $108.00) + Water Master ($11.75).

[5] Other Zone W-2 Deliveries = Basic User (AG or M&I @ $43.75 or $240.00)+ Water Master ($11.75).

[6] Minimum Charge W-5 = 0.75 X Basic User W-5 (M&I @ $108.00).

[7] Minimum Charge W-2 = 0.75 X Basic User W-2 (M&I @ $240.00).

[8] Treated Water Charge is the sum of Basic User ($240.00) and Treated Water Surcharge ($70.00/AF).